

AR07

1975 ANNUAL REPORT



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**MAPLEX** MANAGEMENT & HOLDINGS LIMITED

# OFFICERS AND DIRECTORS

## Maplex Management & Holdings Limited

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### OFFICERS

**S. R. Bernardo**, President, Weston

**R. S. Mills, Q.C.**, Secretary, Toronto

**C. A. Blair**, Treasurer & Chief Financial Officer, Simcoe

### DIRECTORS

**D. M. Alloway**,  
Toronto

**S. R. Bernardo**,  
Weston

**C. A. Blair**,  
Simcoe

**S. M. Fletcher**,  
Hamilton

**R. G. Groom, Q.C.**,  
Tillsonburg

**R. S. Mills, Q.C.**,  
Toronto

**G. C. Noble**,  
Toronto

### 3 Year Financial Highlights

	<u>1975</u>	<u>1974</u>	<u>1973</u>
Total Assets (000)	\$ 7,336	\$ 6,035	\$ 5,545
Gross Incomes (000)	5,315	4,113	3,501
Net Earnings (000)			
Before extraordinary Item	367	189	183
After extraordinary Item	419	189	261
Earnings per Share			
Before extraordinary Item	0.87	0.47	0.48
After extraordinary Item	0.99	0.47	0.68
Shares Outstanding at Year-end	439,187	404,368	405,368
Net Worth at Book Value	5.44	4.92	4.56



# REPORT OF PRESIDENT

to the Shareholders of Maplex Management & Holdings Limited

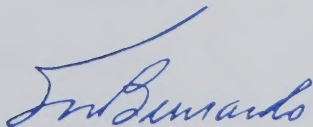
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It is indeed a pleasure to be able to report record earnings for the year ended December 31, 1975 of \$366,725 equal to 87c per share before extraordinary item compared with \$189,276 amounting to 47c per share last year. The two subsidiary companies and William E. McCaul Insurance Agencies Limited contributed to these improved results. Operations of Abstainers' Insurance Company, Trans-Canada Investment Corporation Limited and William E. McCaul Insurance Agencies Limited are reported upon separately by their respective General Managers later in the report.

During the year Maplex acquired the minority interests in Trans-Canada Investment Corporation Limited held by its directors at approximate book value and effected a capital reorganization of the William E. McCaul Insurance Agencies Limited. In addition Maplex made a three for one share exchange offer to the small balance of minority shareholders of Abstainers' Insurance Company holding a total of 4.54% of the outstanding common shares of Abstainers'. 15,102 Maplex treasury shares were issued pursuant to the offer bringing to 125,935 out of the 126,614 issued and outstanding common shares of Abstainers' Insurance Company that are now owned by Maplex representing 99.46% of the total.

As noted after the financial statements, Maplex's first semi-annual dividend normally payable April 30th falls within the restraining guidelines of the Anti-Inflationary Board as presently written whereas the dividend for the second-half normally payable October 30th, 1976 would not appear to be effected. Accordingly, consideration will be given to implementing the company's policy of annual dividend increases subject to the availability of earnings and legislation in effect at that time. I specifically draw your attention to the four year summary of financial highlights outlined on opposite page of this report showing the growth in earnings and net worth at book value which currently stands at \$5.44 compared with a market price of approximately \$2.00 per share on the Toronto Stock Exchange.

Your company is constantly on the lookout for new business opportunities and has actively been seeking a companion insurance company for the Abstainers' Insurance Company to permit broadening its base of operations within the insurance field. The board wishes to record its appreciation for the loyalty and devotion of the officers and members of the staff of the Maplex group of companies who have made these results possible.



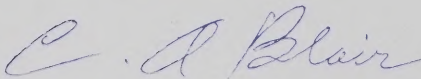
S.R. Bernardo  
President

# CONSOLIDATED BALANCE SHEET

Maplex Management & Holdings Limited  
as at December 31, 1975

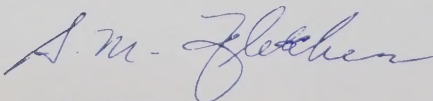
	<u>1975</u>	<u>1974</u>
<b>ASSETS</b>		
Cash	\$ 319,246	\$ 115,639
Trust funds	37,000	73,500
Accounts receivable	113,607	84,356
Income taxes recoverable	56,115	
Accrued interest on investments	55,062	85,144
Marketable securities, at lower of cost and market (quoted market value 1975, \$97,580; 1974, \$62,145)	94,130	62,145
Prepaid expenses	1,814	1,244
Investments (note 2)	6,463,612	5,315,507
Fixed assets		
Land	\$15,000	
Building	60,000	
Furniture and equipment	14,467	
Automobiles	25,003	
	<u>114,470</u>	
Less accumulated depreciation	<u>19,267</u>	<u>87,221</u>
Organization expense, at cost less accumulated amortization of \$5,000 (1974, \$3,750)	1,238	2,488
Goodwill	99,708	208,284
	<u>\$7,336,735</u>	<u>\$6,035,528</u>
<b>LIABILITIES</b>		
Bank indebtedness (note 3)	\$ 175,000	\$ 283,000
Accounts payable and accrued liabilities	209,218	114,552
Provision for unsettled claims and adjusting costs	2,024,784	1,589,313
Unearned premiums at 85%	2,204,378	1,557,711
Income taxes		103,150
Mortgages and notes payable (note 4)	122,000	74,000
	<u>4,735,380</u>	<u>3,721,726</u>
Minority interests	210,441	325,332
	<u>4,945,821</u>	<u>4,047,058</u>
<b>SHAREHOLDERS' EQUITY</b>		
Capital stock (note 5)		
Authorized		
2,000,000 common shares of no par value		
Issued		
439,187 Shares (1974, 424,085 shares)	1,584,746	1,560,082
Retained earnings	806,168	501,219
	<u>2,390,914</u>	<u>2,061,301</u>
Less cost of company's shares held by subsidiary in 1974, 19,717 shares		72,831
	<u>2,390,914</u>	<u>1,988,470</u>
	<u>\$7,336,735</u>	<u>\$6,035,528</u>

Approved by the Board



Director

C. A. Blair



Director

S. M. Fletcher



# CONSOLIDATED STATEMENT OF INCOME

Maplex Management & Holdings Limited  
year ended December 31, 1975

	<u>1975</u>	<u>1974</u>
<b>INCOME</b>		
Premiums earned — net	\$4,805,571	\$3,639,509
Income from investments	412,032	351,230
Gain on sale of securities	25,868	2,502
Gain on sale and repurchase of units	29,902	7,114
Management fees	26,158	86,575
Commissions	8,593	22,046
Rental	6,465	4,400
	<u>5,314,589</u>	<u>4,113,376</u>
<b>EXPENSE</b>		
Claims	3,117,575	2,340,520
Salaries and commissions	1,265,179	943,067
Other	501,727	477,616
	<u>4,884,481</u>	<u>3,761,203</u>
Income before undernoted items	430,108	352,173
Provision for increase (decline) in market value of marketable securities	41,778	(22,719)
	<u>471,886</u>	<u>329,454</u>
Provision for income taxes	75,000	147,000
	<u>396,886</u>	<u>182,454</u>
Minority interests share of earnings	38,482	3,708
	<u>358,404</u>	<u>178,746</u>
Share of earnings of William E. McCaul Insurance Agencies Limited	8,321	10,530
	<u>366,725</u>	<u>189,276</u>
Income before extraordinary item		
Sale of management rights (mutual funds) less related goodwill of \$50,161 and minority interest of \$47,700	52,139	—
	<u>\$ 418,864</u>	<u>\$ 189,276</u>
<b>NET INCOME</b>		

## EARNINGS PER SHARE

Based upon the weighted average of shares outstanding  
during the year:

Before extraordinary item	87c	.47
After extraordinary item	99c	.47

# CONSOLIDATED STATEMENT OF RETAINED EARNINGS

	<u>1975</u>	<u>1974</u>
<b>BALANCE AT BEGINNING OF YEAR</b>	\$ 501,219	\$ 358,592
Net income	418,864	189,276
	<u>920,083</u>	<u>547,868</u>
Dividends paid	52,343	46,649
Tax paid on undistributed income of subsidiary company	12,117	
Excess of cost over proceeds from sale of company's shares held by subsidiary company	49,455	
	<u>113,915</u>	<u>46,649</u>
<b>BALANCE AT END OF YEAR</b>	<u>\$ 806,168</u>	<u>\$ 501,219</u>

## CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

	<u>1975</u>	<u>1974</u>
<b>FUNDS DERIVED FROM*</b>		
Net income	\$ 418,864	\$ 189,276
Common shares issued	24,664	
Proceeds from sale of company's shares held by subsidiary	31,076	
	<u>474,604</u>	<u>189,276</u>
<b>FUNDS APPLIED TO*</b>		
Dividends paid	52,343	46,649
Tax paid on undistributed income of subsidiary company	12,117	
Increase in company's shares held by subsidiary	7,700	3,800
	<u>72,160</u>	<u>50,449</u>
<b>INCREASE IN NET ASSETS</b>	<u>\$ 402,444</u>	<u>\$ 138,827</u>

\*For the purpose of this statement funds have been defined as net assets of the company.

## AUDITORS' REPORT

Thorne  
Riddell  
& Co.

To The Shareholders of  
Maplex Management & Holdings Limited

We have examined the consolidated balance sheet of Maplex Management & Holdings Limited as at December 31, 1975 and the consolidated statements of income, retained earnings and changes in financial position for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at December 31, 1975 and the results of their operations and the changes in their financial position for the year then ended, in accordance with accounting principles described in note 1 applied on a basis consistent with that of the preceding year.

Toronto, Canada  
January 23, 1976

*Thorne Riddell & Co.*  
CHARTERED ACCOUNTANTS



# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Maplex Management and Holdings Limited year ended December 31, 1975

## 1. ACCOUNTING POLICIES

### (a) Basis of Consolidation

The consolidated financial statements include the accounts of Maplex Management & Holdings Limited, its 99.5% (1974, 95.4%) owned subsidiary Abstainers' Insurance Company and its 100% (1974, 68.2%) owned subsidiary Trans-Canada Investment Corporation Limited. The excess of the cost of the shares over the assigned values of the net assets acquired has been reflected upon consolidation as goodwill. In the opinion of management no diminution of value has occurred and therefore there has been no amortization of goodwill.

The accounts of Abstainers' are presented in accordance with accounting principles prescribed or permitted by the Ontario Department of Insurance.

The accounts of Maplex and Trans-Canada are presented in accordance with generally accepted accounting principles.

The contribution of the companies to consolidated net income is as follows:

	Net Income	Minority interest	Consolidated net income
Abstainers' Insurance Company	\$329,926	\$ 14,284	\$315,642
Trans-Canada Investment Corporation Limited	176,919	71,898	105,021
Maplex Management & Holdings Limited	(10,120)		(10,120)
	<u>\$496,725</u>	<u>\$ 86,182</u>	<u>410,543</u>
William E. McCaul Insurance Agencies Limited — equity in earnings			8,321
			<u>\$418,864</u>

### (b) Depreciation

The company is using the following rates of depreciation annually on the declining asset balances:

Building	— 5%
Furniture and equipment	— 20%
Automobiles	— 30%

### (c) The income tax charge against operations and the related liability relate to Abstainers' Insurance Company and are calculated using the "taxes payable" method.

## 2. INVESTMENTS

	1975	1974
Equity in securities held by Trustee for Trans-Canada and Special Series trust certificates, at cost (quoted market, \$113,902)		\$ 111,566
Marketable securities, at cost (quoted market value 1975, \$5,583,595; 1974, \$4,230,492)	\$6,334,562	5,143,611
William E. McCaul Insurance Agencies Limited — 100% (49% in 1974) of the outstanding common shares, at cost plus share of earnings since acquisition	129,050	60,330
	<u>\$6,463,612</u>	<u>\$5,315,507</u>

## 3. BANK INDEBTEDNESS

The bank indebtedness is secured by Maplex's shares of Trans-Canada Investment Corporation Limited.

## 4. MORTGAGES AND NOTE PAYABLE

	1975	1974
Mortgages		
11% First mortgage, due 1979, interest payable quarterly	\$ 50,000	\$ 50,000
12% Second mortgage, due 1979, payable \$1,000 principal plus interest semi-annually	22,000	24,000
Promissory note, payable \$10,000 principal annually plus interest semi-annually	50,000	
	<u>\$ 122,000</u>	<u>\$ 74,000</u>

## 5. CAPITAL STOCK

During the year the company, through an exchange offer to the public, issued 15,102 shares of its capital stock on a three for one basis, in exchange for 5,034 shares of Abstainers' Insurance Company. A value of \$24,664 was assigned to the exchange of shares.

## 6. ANTI-INFLATION LEGISLATION

The company is subject to the Anti-Inflation Act which provides, as from October 14, 1975, for the restraint of dividends. The maximum dividend per share that the company can pay or declare in the twelve months ending October 13, 1976 is \$0.12.

## 7. REMUNERATION OF DIRECTORS AND OFFICERS

	Maplex	Abstainers'	Trans-Canada
Number of directors	7	10	4
Aggregate remuneration as directors	\$ 4,550	\$10,600	\$ 2,125
Number of officers	3	5	4
Aggregate remuneration as officers	\$ 9,600	\$25,736	\$23,000
Number of officers who are directors	3	5	4

# GENERAL MANAGER'S REPORT

to the Shareholders of Maplex Management & Holdings Limited on the operation of Abstainers' Insurance Company for the year ended December 31, 1975

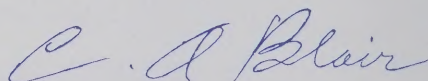
1975 proved to be a year of real opportunity for Abstainers' Insurance Company. Because of serious underwriting losses in the industry in 1974, many companies were forced to restrain their writings in 1975. Hence your Company was able to take advantage of this situation, and experienced an unusual growth rate of 44% in premiums written, to \$5,697,408 from \$3,951,706, of which well over half was due to increased rates and the balance in real growth in numbers of policies and renewals issued. In the Province of Alberta alone, where the market was more restricted than in Ontario, our volume of premiums written increased by 80% to nearly one million dollars. Fortunately, while auto premiums exceeded 1974 by 42%, the Company's property premiums grew by 56%, and now represent 11.5% of the total portfolio of business in comparison to 10.6% in 1974.

In spite of this rapid growth in premiums, and with inflation still rampant, the Company was able to maintain its loss ratio at 64.8% of earned premiums in comparison to 64.3% for both 1974 and 1973, and its expense ratio at 35% in comparison to 34.9% of earned premiums in 1974. Hence, a nominal underwriting profit of \$6,034 was earned. Well over a million dollars was added to our investment portfolio during 1975, and investment income increased by nearly 15% to \$398,892.

Taxes were down substantially partially due to an investment policy of weighting the portfolio towards tax-free dividends from top quality preferred and convertible preferred shares, and also to increased credits for tax purposes from substantially higher unearned premiums.

While a difference of \$225,560 between book and market value of stocks is shown as an unadmitted asset in a note to the statement, all of this but \$14,177 was regained on the market by the end of January, 1976. The difference between the market value and cost price of all investments as of January 25, 1976 was reduced to \$490,180, or 8.33% from \$750,967 at year end.

A more moderate rate of growth is anticipated in 1976, with renewed emphasis on property insurance.



President &  
Managing Director

## HIGHLIGHTS OF 1975

Total Premiums Written Increased	44%
Increase in Alberta alone	80%
Total Property Increased	56%

Loss & Expense Ratios retained almost the same as 1974

Underwriting Profit	\$ 6,034
Investment Income	398,892
Profit before Tax	\$404,926
Provision for Income Tax	75,000
NET PROFIT AFTER TAXES	\$329,926
Net Profit after Taxes per Share	\$2.53

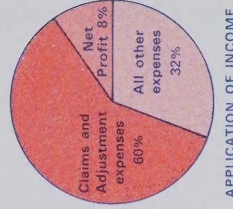
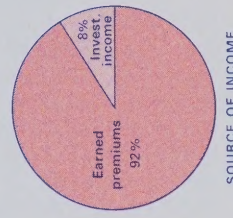
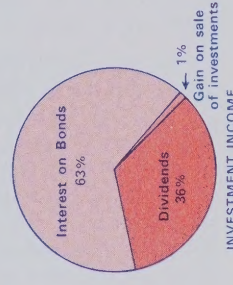
(1974 — \$1.75 per share)



# ABSTAINERS' INSURANCE COMPANY

(in thousands except per share amounts and percentages)

	1975	1974	1973	1972	1971	1970	1969	1968	1967	1966
Gross Premiums Written	5,697	3,951	3,377	2,967	3,023	3,152	3,048	2,496	2,038	1,479
Reinsurance	245	109	197	208	152	164	180	131	79	44
Net Premiums Written	5,452	3,842	3,180	2,759	2,871	2,988	2,868	2,365	1,959	1,435
Premiums Earned (1)	4,805	3,639	2,997	2,704	2,893	2,945	2,696	2,199	1,756	1,265
Claims & Adjusting Expenses	3,117	2,340	1,927	1,889	1,970	2,587	2,179	1,411	961	775
General Expenses	1,682	1,269	1,069	966	921	936	830	706	542	391
Underwriting Profit (Loss)	6	30	1	(150)	3	(578)	(313)	82	254	98
Investment Income	397	344	278	264	254	230	181	132	101	64
Gain on Sale of Investments	2	4	93	198	5	2	198	100	4	5
Net Profit Before Tax	405	378	372	312	257	(346)	67	314	359	167
Income Taxes	75	147	48	none	1	2	(56)	61	141	51
Net Profit	330	231	324	312	256	(348)	123	253	218	116
Preferred Dividends Paid	10	10	10	10	10	10	10	10	10	10
Common Earnings (1)	320	221	314	302	246	(358)	113	243	208	106
— per share (1)	\$2.53	1.75	2.48	2.38	1.94	(2.83)	.90	1.92	1.66	1.27
Common Dividends	32	32	32	32	32	32	32	22	13	2
— per share	.25	.25	.25	.25	.25	.25	.25	.175	.125	.025
Equity per share (1) (2)	17.05	14.77	13.28	11.05	8.78	4.90	7.88	11.21	7.83	3.84
Industry Loss Ratio	Not Available	77.9%	72.6%	69.4%	67.5%	70.8%	73.9%	67.5%	64.4%	67.0%
Company Loss Ratio	64.8%	64.3%	64.3%	69.9%	68.1%	87.9%	80.8%	64.2%	54.7%	61.3%
Company Expense Ratio	35.0%	34.9%	35.6%	35.7%	32.0%	31.3%	28.9%	29.8%	27.7%	27.3%
Company Combined Ratio	99.8%	99.2%	99.9%	105.6%	100.1%	119.2%	109.7%	94.0%	82.4%	88.6%
Shares Outstanding (2)	127	127	127	127	127	127	127	127	125	90



- (1) In 1966 the Company began carrying Unearned Premiums at 85% as opposed to 80% in previous years. As a result of this change to more conservative accounting procedures, Net Premiums earned and Underwriting Profit were reduced by \$9,986 in 1966 or 11 cents per share before taxes, and estimated equity per share was reduced by 36 cents.
- (2) Shares Outstanding has been adjusted for a 2 for 1 stock split in 1968, a 50 for 1 stock split in 1966, and a rights issue in 1965.

APPLICATION OF INCOME

SOURCE OF INCOME

INVESTMENT INCOME



**MAPLEX** MANAGEMENT & HOLDINGS LIMITED

Room 2014, Simpson Tower, Toronto 103, Ont.